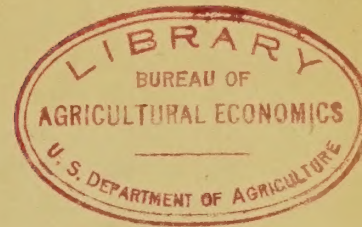


July 15, 1940

EXPLANATION OF TOBACCO QUOTA PROVISIONS OF
AGRICULTURAL ADJUSTMENT ACT OF 1938, AS AMENDED
(Burley Tobacco)



In the marketing quota provisions of the Agricultural Adjustment Act of 1938, as amended, growers have the legislative authority, the legal right, to control the marketings of tobacco. It took many years to get that legislation and to get it in shape so that it is satisfactory to the majority of growers, Congress, and the Supreme Court. The authority to control marketings which growers have under this legislation is the key to any program which deals successfully with the situations that confront tobacco growers from time to time. Without some control over the supply of tobacco, growers could not hope to maintain favorable prices through loans or through other price influencing devices.

The tobacco marketing quota law has been amended twice since it was passed in 1938. These amendments will strengthen and simplify the operation of the program materially.

When the total supply of tobacco as of the beginning of the marketing year (October 1 to September 30) is in excess of the "reserve supply level" as defined in the Act, the Secretary of Agriculture is directed to proclaim a national marketing quota for that marketing year. Since the reserve supply level is an amount of tobacco sufficient "to insure a supply adequate to meet domestic consumption and export needs in years of drought, flood, or other adverse conditions, as well as in years of plenty" 1/ the proclamation of a quota means in effect that supplies are excessive. Unless the Burley crop this year is unusually short the supply of Burley tobacco on October 1, 1940 will be in excess of the reserve supply level and the Secretary will be required to proclaim a marketing quota for the 1941-42 marketing year, during which growers market their 1941 crop of Burley tobacco.

Within 30 days after the proclamation of a quota, a referendum is held in which growers vote on the quota for the one marketing year and also on the question as to whether they favor quotas for the one marketing year and also the two following years. If two-thirds or more of the growers favor quotas for the three years they will be in effect for three years. If the total votes in favor of quotas for a three-year period plus the votes in favor of quotas for a one-year period amount to two-thirds or more of the votes cast in the referendum, quotas will be in effect for one year even though two-thirds of the growers do not approve quotas for three years.

The marketing quota for each farm is the actual production on the farm acreage allotment. Farm allotments for each of the three years (1941-1942-1943) in which quotas are in effect will go up or down by the same percentage that the national quota goes up or down from the quota for the preceding year. Any farm allotment which was one-half acre or less in 1939 cannot be reduced below the 1939 allotment, and any allotment which was over one-half acre and not over one acre in 1940, cannot be reduced below the 1940 allotment.

This protection for individual farm allotments does not apply if there is a violation of law in marketing tobacco from the farm. In case of violation by selling under the marketing card for one farm tobacco which actually was grown on another farm, or in case of failure to furnish proof of the disposition of tobacco from any farm, the allotment for each of the farms involved will be reduced in the next year by an amount equivalent to the amount of tobacco in question.

In order to make adjustments needed to obtain more equitable allotments, there will be available in each year an acreage not exceeding two percent of each state allotment. This acreage will be distributed by the county committee to a limited number of old tobacco farms on which the allotments are smaller, in relation to the land and labor available for production of tobacco, than the average for similarly situated farms in the community.

The enforcement provisions of the Act which protect cooperating growers against non-cooperators have been strengthened materially by the amendments passed this year. A penalty of ten cents per pound on marketings in excess of farm quotas will be collected beginning with the first tobacco marketed from each farm which has excess tobacco available for marketing. If one farmer sells under his marketing card tobacco grown on another farm, he becomes liable for the penalty. If any producer falsely identifies or fails to account for the disposition of any tobacco, he becomes liable for the penalty. If any producer falsely identifies or fails to account for the disposition of any tobacco, he becomes liable for penalty, in addition to any other penalty, equal to ten cents per pound of the normal yield per acre of the number of acres harvested in excess of the farm acreage allotment.

As under previous programs, the penalty will be paid by the warehouseman or buyers who may deduct it from the purchase price paid to the farmer. The amendments this year increase materially the penalties on any warehouseman or buyer who fails to keep records or make reports as required by regulations issued under the Act.

1/ Direct quotation from the Act.